

## Message Text

UNCLASSIFIED

PAGE 01 ROME 04909 081815Z

46

ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 FSE-00 ABF-01 AGR-20 DODE-00 PA-04

USIA-15 PRS-01 FEA-02 FPC-01 DRC-01 /195 W

----- 004281

P R 081715Z APR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 4191

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

AMCONSUL NAPLES

UNCLAS ROME 4909

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: GOI LIMITS GLOBAL BANK CREDIT FOR 1974-5

REF: (A) ROME 3732 DATED MARCH 19, 1974

(B) ROME 7482 DATED JULY 27, 1973

(C) ROME 5593 DATED JUNE 19, 1973

PASS TREASURY AND FRB

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 04909 081815Z

1. /SUMMARY/. ON APRIL 8 ITALIAN TREASURY MINISTRY WITH CONSENT OF BANK OF ITALY ADOPTED MEASURES DESIGNED TO LIMIT CREDIT EXPANSION IN BANKING SYSTEM FOR YEAR ENDING 31 MARCH 1975. GENERAL RULE IS THAT EACH BANK'S TOTAL CREDIT TO GROUP OF CLIENTS EACH OF WHOM HAVE LOANS OUTSTANDING OF 30 MILLION LIRE OR MORE (\$47,319 AT 634 LIRE PER DOLLAR) MAY NOT INCREASE BY MORE THAN 15 PERCENT FROM END-MARCH 1974 TO END-MARCH 1975. SEPARATE LIMITATIONS ARE ALSO APPLICABLE TO SPECIFIC TYPES OF BORROWERS (EG., LARGE BORROWERS; LOCAL GOVERNMENTS; AND FINANCIAL, COMMERCIAL, NON-PROFIT AND FAMILY ENTERPRISES). EXEMPTION FROM LIMIT IS PROVIDED FOR CERTAIN BORROWERS AND TEMPORARY EX EPTIONS MAY BE MADE. MEASURE IS SAID TO BE IN KEEPING WITH OVERALL CEILING ON TOTAL DOMESTIC CREDIT EXPANSION OF 22400 BILLION LIRE CONTAINED IN IMF "LETTER OF INTENT" AND TO BE CONSISTENT WITH TOTAL INCREASE IN DOMESTIC BANK CREDIT OF 8,000 BILLION LIRE. LATTER FIGURE WOULD REPRESENT AN INCREASE OF 16-17 PERCENT OVER BANK CREDIT OUTSTANDING ON MARCH 31, 1974. /END SUMMARY/.

2. ON APRIL 8 BANK OF ITALY ISSUED INSTRUCTIONS TO ALL ITALIAN BANKING AND CREDIT INSTITUTIONS OUTLINING CREDIT RESTRAINT MESAURES TO BE ADOPTED AS FOLLOWS:

A) ALL BANKS AND CREDIT INSTITUTIONS WHICH ON 31 MARCH 1974 HAD MADE LOANS TO INDIVIDUAL CLIENTS OF 30 MILLION LIRE OR MORE ARE AUTHORIZED TO INCREASE TOTAL AMOUNT OF SUCH LOANS BY 8 PERCENT BETWEEN MARCH 31, 1974 AND SEPTEMBER 30, 1974, AND BY TOTAL OF 15 PERCENT FOR YEAR ENDING MARCH 31, 1975.

B) BANKS AND CREDIT INSTITUTIONS WHICH ON MARCH 31, 1974 HAD CREDITOR POSITION WITH INDIVIDUAL CLIENTS OF 500 MILLION LIRE OR MORE ARE AUTHORIZED TO EXPAND TOTAL AMOUNT OF SUCH CREDITS BY 15 PERCENT IN YEAR ENDING MARCH 31, 1975.

C) 15 PERCENT LIMIT ON EXPANSION OF CREDITS IN EXCESS OF 30 MILLION LIRE PER BORROWER ALSO APPLIES TO TOTAL SUCH CREDITS TO STATE PUBLIC ADMINISTRATION ENTITIES UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 04909 081815Z

AND TO ENTITIES OF LOCAL GOVERNMENT ADMINISTRATION.

D) CREDIT EXPANSION LIMIT ON LOANS IN EXCESS OF 30 MILLION LIRE PER DEBTOR TO BORROWERS WHICH ARE FINANCIAL ENTERPRISES, NON-FINANCIAL COMPANIES (IN WHOLESALE, RETAIL AND OTHER RELATED COMMERCIAL ACTIVITIES), NON-PROFIT ORGANIZATIONS, FAMILIES AND CERTAIN NON-CLASSIFIED BORROWERS, IS REDUCED TO 12 PERCENT FOR ONE-YEAR PERIOD

IN QUESTION.

3. EXEMPTED FROM NEW CREDIT CONTROLS ARE ENTITIES ENGAGED IN PRODUCTION AND DISTRIBUTION OF ELECTRICAL ENERGY, THOSE PROVIDING HEALTH SERVICES, THE STATE RAILWAYS AND THE STATE AGRICULTURAL TRADING ORGAN (AIMA). THUS, MEDIUM AND SMALL-SIZED FIRMS WHOSE BANK LOANS DO NOT EXCEED 30 MILLION OR 500 MILLION LIRA LOAN CEILINGS MAY INCREASE THEIR BANK BORROWING BEYOND 15 PERCENT LIMITS. DEROGATIONS TO LIMITS IN PARA 2(A) ABOVE MAY BE MADE TO PERMIT BANKS TO EXCEED 15 PERCENT LIMIT DEADLINE AS OF SEPTEMBER 30, 1974, PROVIDED MARCH 1975 DEADLINE IS MET.

4. /COMMENT/. LATEST RESTRICTIVE CREDIT MEASURES COMPLEMENT CREDIT MEASURES TAKEN IN JUNE-JULY 1973 (SEE REFTELS B AND C) AND REAFFIRM BASIC GOI POLICY OF FAVORING ECONOMIC ACTIVITIES OF SMALL AND MEDIUM-SIZED FIRMS AT EXPENSES OF LARGER FIRMS IN EFFORT TO COMBAT SPECULATIVE USES OF CREDIT LARGER FIRMS. NEW RESTRICTIVE BANK CREDIT MEASURES FIT INTO AGREEMENT WITH IMF TO LIMIT DOMESTIC CREDIT AVAILABILITY. NEW MEASURES ALSO COMPLEMENT INCREASE IN "PRIME" RATE ON FEBRUARY 5 FROM 10 TO 11 PERCENT (REFTEL A) AND RISE IN BANK OF ITALY BASIC DISCOUNT RATE FROM 6.5 TO 9 PERCENT IN MARCH AND REPRESENT MOST RECENT EFFORTS OF GOI TO COMBAT INFLATION AND TO STRENGTHEN BALANCE OF PAYMENTS.VOLPE

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANKS, CREDIT CONTROLS, PRIME INTEREST RATES, ANTIINFLATIONARY PROGRAMS, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ROME04909  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740079-0723  
**From:** ROME  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740458/aaaacbch.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) ROME 3732 DATED MARCH 19, 1974  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 MAY 2002 by bryansd0>; APPROVED <06 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOI LIMITS GLOBAL BANK CREDIT FOR 1974-5  
**TAGS:** EFIN, IT  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005